

SBA

U.S. Small Business
Administration

B

usiness Plan for

Small Service Firms

Management

and

Planning

Series

Building America's Future

The material in this publication may not be reproduced or transmitted in any form or by any means--electronic, mechanical, photocopying, recording or other-without the prior written permission of the U.S. Small Business Administration. "How to Write a Business Plan."
Copyright 1990, Linda Pinson and Jerry Jinnett. All rights reserved.

All of SBA's programs and services are extended to the public on a nondiscriminatory basis.

TABLE OF CONTENTS

INTRODUCTION

A Note on Us-ing This Publication	i
Whats in This for Me?	i
Why Am I in Business?	i
What Business Am I In?	1

Determining Sales Potential ..	2
Attracting Customers	3
Selling to Customers	6
.....	7

PUT YOUR PLAN IN

Start-up Costs E	9
Matching Money and Expenses IS Additional Money Needed? ..	9

CONTROL AND FEEDBACK

Stock Control	9
Sales	9
Disbursements	9
Break-even Analysis ..	10

IS YOUR PLAN WORKABLE?

10
10
10
11
li

MARKETING

11
12

GETTING THE WORK DONE.

13
17
19
23
27

IMPLEMENTING YOUR PLAN

KEEPING YOUR PLAN CURRENT

APPENDIXES

- A. Income Projection Statement
- B. monthly Cash Flow Projection
- C. Balance Sheet
- D. How to Write a Business Plan
- E. Information Resources

U.S. Small Business Administration

A business plan can provide the owner-manager or prospective owner-manager of a small service firm with a pathway to profit. This publication is designed to help an owner-manager develop a business plan. To profit in business, you need to consider the following questions, among others: What business am I in? What services do I provide? Where is my market? Who will buy the services? Who is my competition? What is my sales strategy? What merchandising methods will I use? How much money is needed to operate my firm? How will I get the work done? What management controls are needed? How can they be carried out? When should I revise my plan? Where can I go for help? No one can answer such questions for you. As the owner-manager you must answer them as you draw up your business plan. This publication is a combination of text and work spaces to record the information you gather in developing your business plan.

A Note on Using This Publication

It takes time, energy and patience to draw up a satisfactory business plan. Use this publication to get your ideas and the supporting facts down on paper. Above all, make needed changes on these pages as your plan unfolds. Bear in mind that anything you leave out of the picture will create an additional drain on your money when it crops up later. If you leave out or ignore enough items, your business is headed for disaster. Keep in mind, too, that your final goal is to put your plan into action. More will be said about this near the end of this publication.

Why Is This for Me?

You may be thinking, Why should I spend my time drawing up a business plan? What's in it for me? If you've never drawn up a plan before, you are right in wanting to hear about the possible benefits before you do your work.

A business plan offers at least five benefits. You may find others as you make and use the plan.

The first, and most important, benefit is that a plan gives you a path to follow. A plan with goals and action steps allows you to guide your business through turbulent economic seas and into harbors of your choice. The alternative is drifting into "any old port in a storm."

Second, a plan makes it easy to let your banker in on the action. Reading or hearing the details of your plan will furnish a lender with real insight into your situation.

Third, a plan can be a communications tool when you need to orient sales personnel, suppliers and others to your operations and goals.

Fourth, a plan can help you develop as a manager. It can give you practice in thinking about competitive conditions, promotional opportunities and situations that seem advantageous to your business. Such practice over a period of time can help increase an owner-manager's ability to make adjustments.

Fifth, a sound plan tells you what to do and how to do it to achieve the goals you have set for your business.

Why Am I In Business?

Many enterprising Americans are drawn into starting their own business by the possibilities of making money and being their own boss. But the long hours, hard work and responsibilities of being the boss quickly dispel any preconceived glamour.

Profit is the reward for satisfying consumer needs. But it must be earned. Sometimes a new business might need two years before it shows a profit.

What then are the other reasons for having your own business? For some, satisfaction comes from serving their community. They take pride in serving their neighbors and giving them quality work that they can stand behind. For others, their business offers them a chance to contribute to their employees' financial security.

There are as many rewards and reasons for being in business as there are business owners. Why are you in business?

What Business Am I In?

In making your business plan, the first question to consider is, What business am I really in? At the first reading this question may seem silly. "If there is one thing I know," you say to yourself, "it is what business

I'm in." Hold on and think. Some owner-managers have gone broke and others have wasted their savings because they did not define their businesses in detail. Consider this example. Joe Riley had a small suburban radio and television store. He thought of his business as a

retail store, although he also serviced and repaired anything he sold. As his suburb grew, appliance stores emerged and cut heavily into his sales. However, there was an increased call for quality repair work. When Mr. Riley reconsidered his situation, he decided that he was in the repair business. As a result, he profitably built up his repair business and contracted with one of the appliance stores to perform service and repairs.

Decide what business you are in and write your answer in the following spaces. To help you decide, think of the answers to questions such as, What parts and materials must you keep on hand? What services do you offer? What services do people ask for that you do not offer? What is it you are trying to do better, more of or differently from your competitors?

MARKETING

When you have decided what business you're in, you have made your first marketing decision. Now you are ready for other important considerations.

Successful marketing starts with the owner-manager. You have to know your service and the needs of your customers.

The narrative and work blocks that follow are designed to help you work out a marketing plan for your firm. The blocks are divided into three sections: (1) determining sales potential, (2) attracting customers and (3) selling to customers.

Determining Sales Potential

In the service business, your sales potential will depend on the area you serve. How many customers in this area will need your services? Will your customers be industrial or commercial clients, consumers or all of these?

When picking a site for your business, consider the nature of your service. If you pick up and deliver, you will want a site where the travel time will be low. If customers must come to your place of business, the site must be conveniently located and easy to find.

You must pick the site that offers the best possibilities of being profitable. Consider the following questions: What is the population and its growth potential? What is the income, age and occupation of the population?

Are there a number of competitive services **in and around** your proposed location?

Are there local ordinances and zoning regulations that would apply to your business?

What tax of trading takes place in the area (commercial, industrial, residential or seasonal)?

For additional help in choosing an area, you might try the local chamber of commerce and the manufacturer and distributor of any equipment and supplies you will be using.

You will want to consider the next list of questions in picking the specific site for your business.

Will customers come to your place of business?

How much space do you need?

Will you want to expand later on?

Do you require any special features in lighting, **heating or** ventilation?

Is parking available?

Is public transportation available?

Is the location conducive to drop-in customers?

Will you pick up and deliver?

Will travel time be excessive?

Will you prorate travel time to service calls?

Would a location close to an expressway or main artery cut down on travel time?
If you choose a remote location, will savings in rent offset the inconvenience?

If you choose a remote location, will customers be able to locate your business readily?
Will the supply of labor be adequate and the necessary skills available?
What are the zoning regulations of the area?
Will there be adequate fire and police protection?
Will crime insurance be needed and available at a reasonable rate?

I plan to locate in _____ because _____

Also consider these questions:

Is the area in which you plan to locate supported by a strong economic base? For example, are nearby industries

Will you build? - What are the terms of the loan or mortgage?

Will you rent? - What are the terms of the lease?

What is the competition in the area you have picked?

How many nearby firms handle your same service?

Does the area appear to be saturated?

How many of these firms look prosperous?
Do they have any apparent advantages over you?
How many look as though they're barely getting by?

How many similar services went out of business in this area last year?

Can you find out why they failed?
How many new services opened up in the last year?
How much do your competitors charge for your same service?
Which firm or firms in the area will be your biggest

competition?

List the reasons for your opinions here.
working full time? Only part time? Did any industries go out of business in the past several months? Are new industries scheduled to open in the next several months? Write your opinion of the area's economic base and your reasons for this opinion here:
Affecting Customers

When you have a location in mind, you should work through another aspect of marketing. How will you attract customers to your business? How will you pull customers away from your competition?

Many small service firms find competitive advantages in how they attract customers. The ideas they develop are as good as, and often better than, those that large companies develop with hired brains. The work blocks that follow are designed to help you think about image, pricing,

customer
Image

Whether you like it or not, your service business is going to have an image. The way people think of your firm will be influenced by the way you conduct your business. If people come to your place of business for your service,

the cleanliness of the floors, the manner in which customers are treated and the quality of your work will help form your image. If you take your service to the customer, the conduct of your employees will influence your image. Pleasant, prompt and courteous service before and after the sale will make satisfied customers.

You can control your image. Whatever image you seek to develop, it should be focused enough to promote in your advertising. For example, "service with a smile" is an often-used image.

Write what image you want customers to have of your business.

Pricing

And, of course, your prices must be competitive. You've already found out your competitors' prices. Keep these in mind when you are working with your accountant. If you will not be able to make an adequate return, now is the

time to find it out.

Customer Service Policies

Customers expect certain services or conveniences, such as parking. These services may be free to the customer, but not to you. If you do provide parking, you either pay for your own lot or share the cost of a lot with other businesses. Since these conveniences will be an expense, plan for them.

Will you provide a warranty or guarantee on your work? A typical service warranty is 30 days on parts and 90 days on labor; this means that you will correct any problems arising within a specified time frame following performance of a service at no charge. The time frame can vary depending on the kind of service you provide. A warranty tells customers you want them to be satisfied with the work of your company.

List the services that your competitors provide customers.

Now list the services that you will provide your customers.

Consider advertising last, after you have determined your image, price range and customer services. Only then are you ready to tell prospective customers why they should use your services.

When advertising dollars are limited, it is vital that your advertising be on target. Before you can consider how much money you can afford for advertising, take time to determine your advertising goals. The work blanks that follow should help.

In setting prices for your service, consider these four main elements: (1) materials and supplies, (2) labor and operating expenses, (3) planned profit and (4) competition.

Further in this publication you will have the opportunity to figure out the specifics of materials, supplies, labor and operating expenses. From there you may want the assistance of your accountant in developing a price structure that will be fair both to the customer and to you. This means that you must not only cover all expenses but also allow enough margin to make a profit.

One other thing to consider. Will you offer credit? Most businesses use a credit card system. If you use a credit card system, what will it cost you? Can you add to your prices to absorb this cost?

Some trade associations have a schedule for service charges. Check with the trade association for your line of business. Their figures will make a good measuring stick to ensure that your prices are competitive.

Advertiser's Use

Service	Estimated cost
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____

The strong points about my service business are

My service business is different from my competition in the following ways:

My advertising should tell prospective customers the following facts about my business and services:

Determine the target audience for your advertising. The audience will be those people who are most likely to use your services. Describe your customers in terms of age, sex, occupation and whatever else is necessary, depending on the nature of your business. This is your customer profile. For example, an automobile repair business may have a customer profile of "automobile owners, 18 years of age and older." Anyone over 18 who owns a car is part of the target audience. The customer profile for my business is

Now you are ready to think about the form and costs of your advertising. You are looking for the most effective means to tell your story to those most likely to use your service. Ask the local media (newspapers, radio and television, and direct mail printers) for information about the services and results they offer.

How you spend advertising money is your decision, but don't fall into the trap that snares many service firms. One consultant described as amazing the way many managers consider themselves experts on advertising copy and media selection even though they have no experience in these areas. Seek professional advice on how to advertise.

Use the Advertising Workblock to determine what advertising is needed to sell your strong points to prospective customers.

When you have a figure on what your advertising costs will be for the next twelve months, check it against what similar businesses spend. Trade associations and other organizations often gather data on advertising expenses as an operating ratio (expenses as a percentage of sales). If your estimated cost for advertising is substantially higher than the average for your line of service, take a second look. No single expense item should be allowed to get way out of line if you want to make a profit. Your task in determining how much to spend for advertising comes down to answering the question, How much can I afford to spend and still do the job that needs to be done?

Advertising Workblock

Form of advertising	Size of audience	Frequency of use		Cost of a single ad		Estimated cost
			x	\$	=	\$
			x	\$	=	\$
			x	\$	=	\$
			x	\$	=	\$

Total \$

To complete your work on marketing, think about what you want to happen after you get a customer. Your goal is to provide your service, satisfy the customer and put **money into** the cash register.

If you previously decided to work only for cash, take a hard look at your decision. Americans like to buy on credit. Often a credit card, or other system of credit and collections, is needed to attract and hold customers.

Fixtures and Equipment

Item

Type of equipment	Number needed	x Unit cost =	cost
_____	_____	\$ _____	\$ _____
_____	_____	\$ _____	\$ _____
_____	_____	\$ _____	\$ _____
_____	_____	\$ _____	\$ _____

Parts and Materials

Amount needed for 12 months	Unit cost	cost
	\$ _____	\$ _____
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____

Name of Item	Name of supplier	Address of supplier	Discount offered	Delivery time*	Freight costs**	Fill-in Policy***
--------------	------------------	---------------------	------------------	----------------	-----------------	-------------------

[illegible]

***What is the supplier's policy on fill-in orders? Do you have to buy a gross, a dozen or only two or three items?
How long does it take to deliver to you?

Before you make any supply arrangements, examine the supplier's policy for outmoded equipment. This can be a vital factor in service parts purchasing. You should also look at the supplier's warranty policy.

Insurance

Will your employees be covered by a fidelity bond? This is Puficululy important when they perform services off Your pre4rnises, and should be considered in planning your property and liability insurance needs. Advertising "bonded workere" conveys a message that your firm is honest and reliable.

Overhead

List the overhead items you will need. Examples include rent, utilities, a stock control system, office help, insurance, interest, telephone, postage, accountant services, payroll taxes and licenses or other local taxes. If

you plan to hire odiers to help you manage, their salaries should be listed as overhead.

Overhead items

An important step in setting up your business is to find and hire capable employees. You must train them to work together to get the job done. Then, as your organization grows, you have to delegate work, responsibility and authority. Organization becomes essential because you as the owner-manager cannot do all the work.

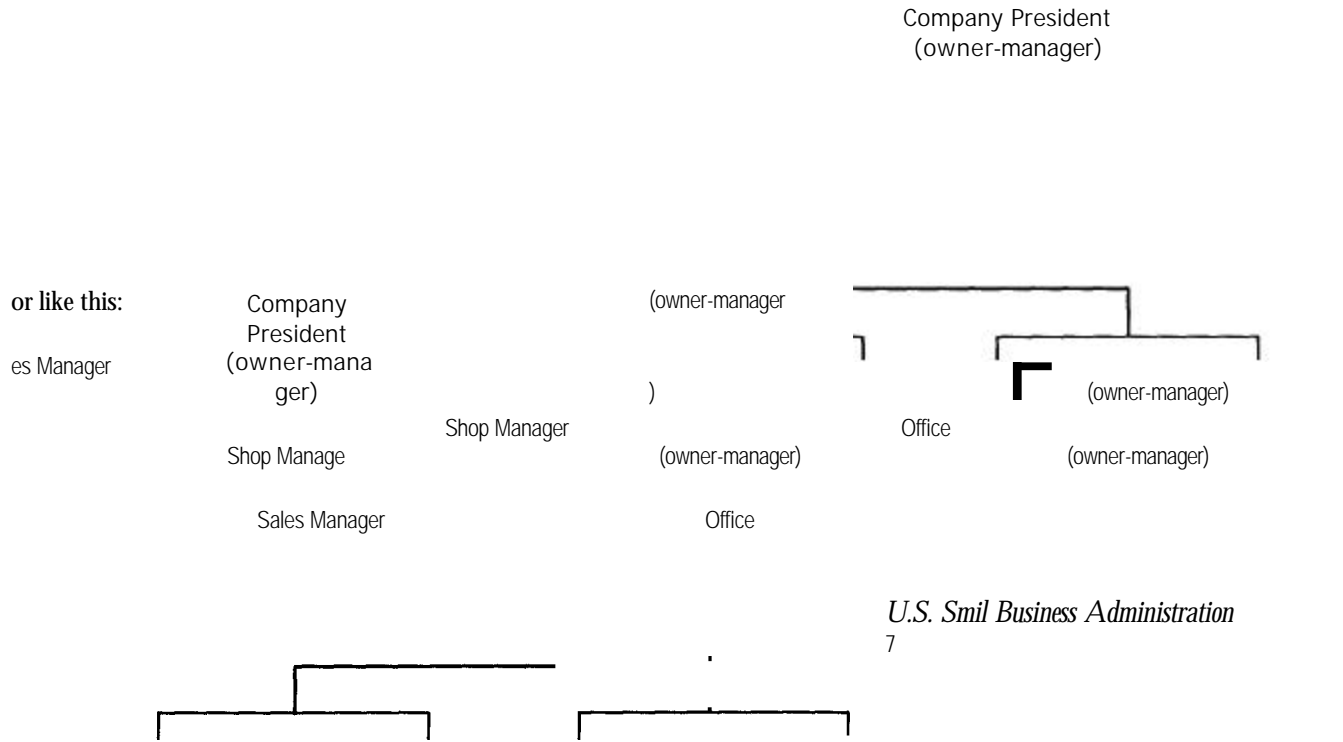
A helpful tool is an organizational chart. It shows at a glance who is responsible for the major

activities of a business. Examples are given here to help you prepare an organizational ch art for your business.

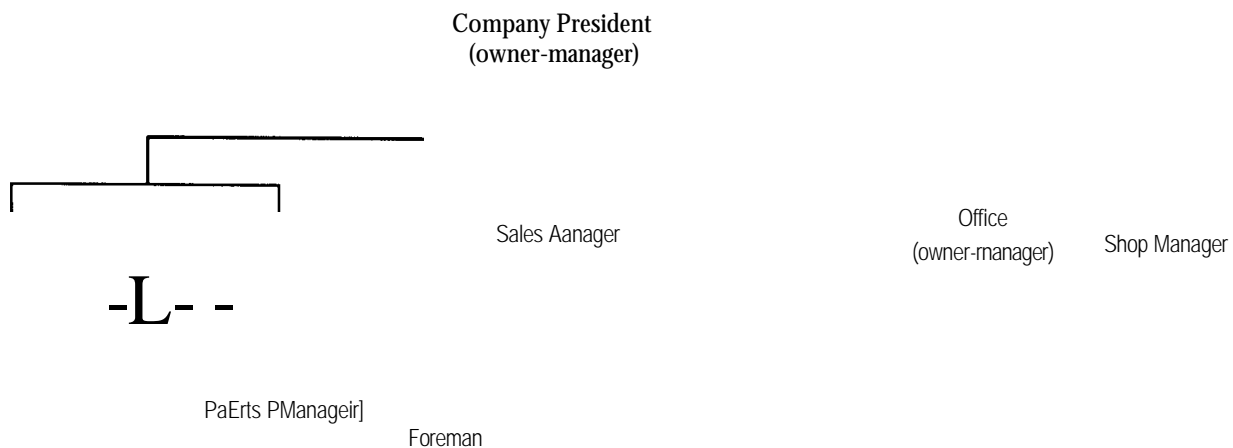
GETTING THE WORK DONE

Unit cost

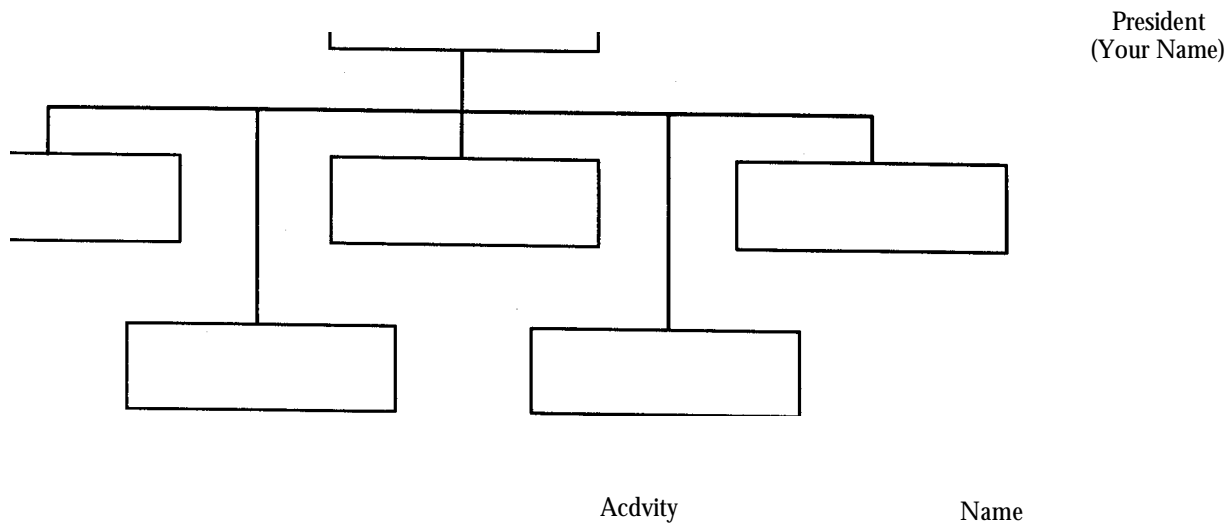
An organizational chart for a small service business will reflect the fact that the owner-manager does most of the managing. It might look like this:



As the service business grows, its organizational chart might look like this:



In the space below, draw up an organizational chart for your business.



To determine both what needs to be done and who will do it, list each activity that is involved in your business. Next to the activity indicate who will do it. You may do this by name or some other designation, such as "worker #1." Remember that a name may appear more than once.

U.S. Small Business Administration

~, PUT YOUR PLAN INTO DOLLARS

This section is designed to help you think about what your business plan means in terms of dollars. The first question concerns the source of dollars. After your initial capital investment, the major source of money is the sale of your services. What dollar volume of business do you expect to do in the next 12 months? \$

Start-up Costs

If you are starting a new business, list the following estimated start-up costs:

Fixtures and equipment*	Starting inventory	Office supplies
Decorating and remodeling	Installation of equipment	Deposits for utilities
Legal and professional fees	License and permits	Advertising for the opening
Operating cash	Owner's withdrawal during prep-start-up time	
Total	\$	\$
	\$	\$
	\$	\$
	\$	\$
	\$	\$
	\$	\$
	\$	\$
	\$	\$

*If you listed the cost of these items on page 6 of this publication, transfer your figures.

Expenses

In connection with your annual dollar volume of business, you need to think about expenses. For example, what will it cost you to do \$ 100,000 worth of business? And even more important, what will be your profit at the end of year? Never lose sight of the fact that profit is your pay. Even if you pay yourself a salary for living expenses, your business must make a profit if it is to continue year after year and pay back the money you invested in it.

The following work block is designed to help you quickly estimate your expenses. To use this formula, you need to get only one figure—the cost of sales figure for your line of business. If you don't have this operating ratio, check with your trade association.

Whether you have the funds (savings) or borrow them, your new business will have to pay back these start-up costs. Keep this in mind as you estimate expenses and other financial aspects of your plan.

Operating Ratios

Yours

Example

Sales	100	
Cost of sales	-61.7	-61.70
Gross profit margin	38.3	38.30

Break Down Your Expenses

\$100,000	100
-----------	-----

Your quick estimate of expenses provides a starting point. The next step is to break down your expenses so they can be handled over the twelve months. Use the Income Projection Statement. (See Appendix A.)

Matching Money and Expenses

A budget helps you to see the dollar amount of your expenses each month. Then from month to month the question is, Will sales bring in enough money to pay the firm's bills on time? The answer will be "maybe not" or "I hope so" unless the owner-manager prepares for the "peaks and valleys" that are part of many service operations.

Consider using the "valleys" for staff training. To stay competitive your employees must keep current on the latest technology of the service they provide. Keep a library of relevant manuals available for their reference.

A monthly cashflow projection is a management tool that can eliminate much of the anxiety of lean months. Developing an accurate cash flow projection helps you to determine the amount and timing of your cash requirements over a 12-month period. The SBA has created an excellent form for this purpose, which you will find in Appendix B, along with a line-by-line description and explanation of the form to help you prepare it.

Is Additional Money Needed?

Suppose at this point you have determined that your business plan needs more money than can be generated by sales. What do you do?

What you do depends on the situation. For example, you may need bank credit to tide your business over during the lean months. This loan can be repaid during the fat sales months when expenses are far less than sales. Adequate working capital is necessary for success and survival.

Whether an owner-manager seeks to borrow money for only one month or on a long-term basis, the lender needs to know the firm's financial position. Your lender will ask to see a current balance sheet. (See Appendix C.)

The *balance sheet* can be seen as an equation:

ASSETS LIABILITIES + OWNER'S EQUITY

To make your plan work you will need feedback. For example, a year-end profit and loss statement shows whether your business made a profit or loss for the past twelve months.

Assets are all resources that are owned by the business and used to further its activities. *Liabilities* are the obligations of the business entity. *Owner's equity* is the owner's claim against, or interest in, the assets. The owner's equity is the excess of assets over liabilities.

Even if you don't need to borrow money, complete a current balance sheet or have your accountant draw a "picture" of your firm's financial condition. Show your plan to the bank that handles your firm's checking account. It is never too early to build good relations with your banker, to show that you are a manager who knows where you want to go rather than one who merely hopes to make a success.

shrinkage, errors or waste. Your aim should be to achieve a high turnover on your inventory. The fewer dollars you tie up in inventory, the better.

In a small business, inventory control helps the

CONTROL AND FEEDBACK

But you can't wait twelve months for the score. To keep your plan on target you need readings at frequent intervals. A profit and loss statement at the end of each month or at the end of each quarter is one type of frequent feedback. Beware of relying too heavily on the profit and loss statement. Since it only shows actual income and expenses for a given period, you may find that at certain times you have more losses than profits. To keep a

balanced perspective on your business, you must continuously review and update your cash flow projection. This will help you to anticipate changing

levels of income and expenses.

The record-keeping system should be set up before your business opens. Don't leave it until after you're in business; then it is too late and you may be too busy to

give a record-keeping system the proper attention. The control system that you set up should give you information about stock, sales and disbursements. The simpler the system, the better. Its purpose is to give you

current information and help you identify trouble spots. Outside advisers, such as accountants, can help.

Stock Control

The purpose of controlling parts and materials inventory

is to provide maximum service to your customers and to see that parts and materials are not lost through theft,

owner-manager to offer customers efficient service. The control system should enable you to determine what needs to be ordered on the basis of what is on hand, what is on order and what has been used.

In setting up inventory controls, keep in mind that in addition to the cost of inventory, there are also the costs of purchasing, receiving and storing inventory, and the cost of keeping control records.

sales

In a small business, sales slips and cash register tapes

give the owner-manager feedback at the end of each day. To keep on top of sales, answer questions such as, How many sales were made? What was the dollar amount? What credit terms were given to customers?

Disbursements

Your management controls should also give you information about the dollars your company pays out. In checking on your bills, you do not want to be penny-wise

and pound-foolish. You need to know that major items, such as paying bills on time to get a supplier's discount,

are being handled according to your policies. Your review system should also give you the opportunity to make judgments on the use of funds. In this manner, you

can be on top of emergencies as well as routine situations. Your system should also let you know that tax monies, such as payroll income tax deductions, are being set aside and deposited at the proper time.

Break-even Analysis

Break-even analysis is a management control device that shows how much you must sell under given conditions in order to just cover your costs with no profit and no loss.

Profit depends on sales volume, selling price and costs

Break-even analysis helps you to estimate what a change in one or more of these factors will do to your profits. To figure a break-even point, fixed costs, such as rent, must

be separated from variable costs, such as the cost of sales and the other items listed under "controllable expenses" on the Expenses Worksheet.

The break-even formula is as follows:

Break-even point
(in sales dollars)

total fixed costs
total variable costs
corresponding sales volume

For example, Bill Jackson plans to open a laundromat. He estimates his fixed expenses at about \$9,000 the first year. He estimates his variable expenses at about \$700 for

every \$1,000 of sales.

Break-even point

\$9,000 \$9,000 \$9,000

700 - 1-.7 - .3 = \$30,000

1000

IS YOUR PLAN WORKABLE?

Stop when you have worked out your break-even point. Whether the break-even point looks realistic or way off base, it is time to make sure your plan is workable. Reexamine your plan before you back it with money. If the plan is not workable, it is better to learn it now than to realize six months down the road you are pouring money into a losing venture.

In reviewing your plan, look at the cost figures from your breakdown of yearly expenses in your Expenses Worksheet. If any of your cost items are too high or too low, change them. You can write your changes above or

below your original entries. When you finish making your adjustments, you will have a revised projected statement of sales and expenses for twelve months. With your revised figures work out a revised break-even point. Whether the new break-even points look good or bad, take one more precaution. Show your plan to someone who has not been involved in working out the details. Your banker, contact person at the U.S. Small Business Administration (SBA) or other advisor outside of your business may see weaknesses that you did not see. This expert may also identify strong points that your plan should emphasize.

IMPLEMENTING YOUR PLAN

When your plan is as near target as possible, you are ready to put it into action. Keep in mind that action is the difference between a plan and a dream. If a plan is not acted upon, it is of no more value than a pleasant dream that evaporates over the breakfast coffee.

Look back over your plan for things that must be done to put your plan into action. What needs to be done will depend on your situation. For example, if your business plan calls for an increase in sales, one action will be to provide funds for this expansion. I-lave you more money

to put into this business? Will you borrow from friends and relatives? From your bank? From your suppliers by arranging liberal commercial credit terms? If you are starting a new business, one step may be to get a loan for fixtures, employee salaries and other expenses. Another action step will be to find and hire capable employees.

In the spaces that follow, list things that must be done to put your plan into action and give each item a completion date.

U.S. Small Business Administration

KEEPING YOUR PLAN CURRENT

Once you put your plan into action, look for changes. They can cripple the best made business plan if the owner-manager lets them. Stay on top of changing conditions and adjust your business plan accordingly. Sometimes the change is within your company-for example, several of your employees quit. Sometimes the change is with customers whose desires and tastes shift. Sometimes the change is technological, as when new raw

materials on the market create the need for new processes and procedures.

In order to adjust your plan to account for such changes, you must:

- Be alert to the changes that come in your company, line of business, market and customers.
- Check your plan against these changes periodically.
- Determine what revisions, if any, are needed in your plan and implement them.

Be sure to read the trade papers and magazines for your line of business.

[illegible]

surance
censes/peffnits
nn payments
ismilaneous
/ fixed expenses

N expenses

profit (loss)
fore taxes
xes
profit (loss)
ier taxes

INSTRUCTIONS FOR INCOME PROJECTION STATEMENT

The income projection (profit and loss) statement is valuable as both a planning tool and a key management tool to help control business operations. It enables the owner-manager to develop a preview of the amount of income generated each month and for the business year, based on reasonable predictions of monthly levels of sales, costs and expenses.

As monthly projections are developed and entered into the income projection statement, they can serve as definite goals for controlling the business operation. As actual operating results become known each month, they should be recorded for comparison with the monthly projections. A completed income statement allows the owner-manager to compare actual figures with monthly projections and to take steps to correct any problems.

Industry Percentage

In the industry percentage column, enter the percentages of total sales (revenues) that are standard for your industry, which are derived by dividing

$\text{cost/expense items} \times 100\% \text{ total net sales}$

These percentages can be obtained from various sources, such as trade associations, accountants or banks. The reference librarian in your nearest public library can refer you to documents that contain the percentage figures, for example, Robert Morris Associates' Annual Statement Studies (One Liberty Place, Philadelphia, PA 19103).

Industry figures serve as a useful benchmark against which to compare cost and expense estimates that you develop for your firm. Compare the figures in the industry percentage column to those in the annual percentage column.

Total Net Sales (Revenues)

Determine the total number of units of products or services you realistically expect to sell each month in each department at the prices you expect to get. Use this step to create the projection to review your pricing practices.

What returns, allowances and markdowns can be expected?

Exclude any revenue that is not strictly related to the business.

Cost of Sales

The key to calculating your cost of sales is that you do not overlook any costs that you have incurred. Calculate cost of sales for all products and services used to determine total net sales. Where inventory is involved, do not overlook transportation costs. Also include any direct labor.

Gross Profit

Subtract the total cost of sales from the total net sales to obtain gross profit

Gross Profit Margin

The gross profit is expressed as a percentage of total sales (revenues). It is calculated by dividing gross profits total net sales

Controllable Expenses

Salary expenses-Base pay plus overtime.

Payroll expenses-Include paid vacations, sick leave, health insurance, unemployment insurance and social security taxes.

Outside services-Include costs of subcontractors, overflow work and special or one-time services.

- Supplies & Services and items purchased for use in the business.
- Repairs and maintenance-Regular maintenance and repair, including periodic large expenditures such as painting.
- Advertising-Include desired sales volume and classified directory advertising expenses.
- Car, delivery and travel-Include charges if personal car is used in business, including parking, tolls, buying trips, etc.
- Accounting and legal-Outside professional services.

Fixed Expenses

* Rent-List only real estate used in the business.

o Depreciation-Amortization of capital assets.

- Utilities-Water, heat, light, etc.
- Insurance-Fire or liability on property or products. Include workers' compensation.
- *Loan repayments-Interest on* outstanding loans.
- Miscellaneous-Unspecified; small expenditures without separate accounts.

Net Profit (loss) (before taxes)	o	Subtract total expenses from gross profit.
Taxes	e	Include inventory and sales taxes, excise tax, real estate tax, etc.
Net Profit (loss) (after taxes)	o	Subtract taxes from net profit (before taxes).
Annual Total	o	For each of the sales and expense items in your income projection statement, add all the monthly figures across the table and put the result in the annual total column.
Annual Percentage	o	Calculate the annual percentage by dividing annual total x 100% total net sales
	o	Compare this figure to the industry percentage in the first column.

This is basic information necessary for proper planning and for proper cash flow projection. In conjunction with this data, the cash flow can be evolved and shown in the above form. It is a very important figure and should be estimated carefully, taking into account size of facility and employee output as well as realistic anticipated sales (actual sales, not orders received). Previous unpaid credit sales plus current month's credit sales, less amounts received current month (deduct "C" below) Bad debts should be subtracted from (B) in the month anticipated Last month's inventory plus merchandise received from manufacturer current month minus amount sold current month Previous month's payable plus current month's payable minus amount paid during month Establishes W by your accountant, or value of all your equipment divided by useful life (in months) as allowed by Internal Revenue Service

Address
Pi-st&A -IIP Position

Owner

type

&to

month

and
g of --th)
nts (a) Cash sales (b)
fwm credit acoamts
other cash injection

oeipb
2c - 3)
available
h out) (1 +

ut (a) Purchases
e) (b) Grow wages
withdrawals) (c)
lm (tax-. (d) Outside
Supplies (oT= and
f) Repair and
ce (g) Advatisinit (h)
ry and travel (i)
g and legal G) Ran
ne

2
eal ~te, etc.)

xcn- (specify each)

ess

2		3		4		5		6		7		8		9		10		11		12		13		14		15		16		17		18		19		20		21		22		23		24		25		26		27		28		29		30		31		32		33		34		35		36		37		38		39		40		41		42		43		44		45		46		47		48		49		50		51		52		53		54		55		56		57		58		59		60		61		62		63		64		65		66		67		68		69		70		71		72		73		74		75		76		77		78		79		80		81		82		83		84		85		86		87		88		89		90		91		92		93		94		95		96		97		98		99		100		101		102		103		104		105		106		107		108		109		110		111		112		113		114		115		116		117		118		119		120		121		122		123		124		125		126		127		128		129		130		131		132		133		134		135		136		137		138		139		140		141		142		143		144		145		146		147		148		149		150		151		152		153		154		155		156		157		158		159		160		161		162		163		164		165		166		167		168		169		170		171		172		173		174		175		176		177		178		179		180		181		182		183		184		185		186		187		188		189		190		191		192		193		194		195		196		197		198		199		200		201		202		203		204		205		206		207		208		209		210		211		212		213		214		215		216		217		218		219		220		221		222		223		224		225		226		227		228		229		230		231		232		233		234		235		236		237		238		239		240		241		242		243		244		245		246		247		248		249		250		251		252		253		254		255		256		257		258		259		260		261		262		263		264		265		266		267		268		269		270		271		272		273		274		275		276		277		278		279		280		281		282		283		284		285		286		287		288		289		290		291		292		293		294		295		296		297		298		299		300		301		302		303		304		305		306		307		308		309		310		311		312		313		314		315		316		317		318		319		320		321		322		323		324		325		326		327		328		329		330		331		332		333		334		335		336		337		338		339		340		341		342		343		344		345		346		347		348		349		350		351		352		353		354		355		356		357		358		359		360		361		362		363		364		365		366		367		368		369		370		371		372		373		374		375		376		377		378		379		380		381		382		383		384		385		386		387		388		389		390		391		392		393		394		395		396		397		398		399		400		401		402		403		404		405		406		407		408		409		410		411		412		413		414		415		416		417		418		419		420		421		422		423		424		425		426		427		428		429		430		431		432		433		434		435		436		437		438		439		440		441		442		443		444		445		446		447		448		449		450		451		452		453		454		455		456		457		458		459		460		461		462		463		464		465		466		467		468		469		470		471		472		473		474		475		476		477		478		479		480		481		482		483		484		485		486		487		488		489		490		491		492		493		494		495		496		497		498		499		500		501		502		503		504		505		506		507		508		509		510		511		512		513		514		515		516		517		518		519		520		521		522		523		524		525		526		527		528		529		530		531		532		533		534		535		536		537		538		539		540		541		542		543		544		545		546		547		548		549		550		551		552		553		554		555		556		557		558		559		560		561		562		563		564		565		566		567		568		569		570		571		572		573		574		575		576		577		578		579		580		581		582		583		584		585		586		587		588		589		590		591		592		593		594		595		596		597		598		599		600		601		602		603		604		605		606		607		608		609		610		611		612		613		614		615		616		617		618		619		620		621		622		623		624		625		626		627		628		629		630		631		632		633		634		635		636		637		638		639		640		641		642		643		644		645		646		647		648		649		650		651		652		653		654		655		656		657		658		659		660		661		662		663		664		665		666		667		668		669		670		671		672		673		674		675		676		677		678		679		680		681		682		683		684		685		686		687		688		689		690		691		692		693		694		695		696		697		698		699		700		701		702		703		704		705		706		707		708		709		710		711		712		713		714		715		716		717		718		719		720		721		722		723		724		725		726		727		728		729		730		731		732		733		734		735		736		737		738		739		740		741		742		743		744		745		746		747		748		749		750		751		752		753		754		755		756		757		758		759		760		761		762		763		764		765		766		767		768		769		770		771		772		773		774		775		776		777		778		779		780		781		782		783		784		785		786		787		788		789		790		791		792		793		794		795		796		797		798		799		800		801		802		803		804		805		806		807		808		809		810		811		812		813		814		815		816		817		818		819		820		821		822		823		824		825		826		827		828		829		830		831		832		833		834		835		836		837		838		839		840		841		842		843		844		845		846		847		848		849		850		851		852		853		854		855		856		857		858		859		860		861		862		863		864		865		866		867		868		869		870		871		872		873		874		875		876		877		878		879		880		881		882		883		884		885		886		887		888		889		890		891		892		893		894		895		896		897		898		899		900		901		902		903		904		905		906		907		908		909		910		911		912		913		914		915		916		917		918		919		920		921		922		923		924		925		926		927		928		929		930		931		932		933		934		935		936		937		938		939		940		941		942		943		944		945		946		947		948		949		950		951		952		953		954		955		956		957		958		959		960		961		962		963		964		965		966		967		968		969		970		971		972		973		974		975		976		977		978		979		980		981		982		983		984		985		986		987		988		989		990		991		992		993		994		995		996		997		998		999		1000		1001		1002		1003		1004		1005		1006		1007		1008		1009		1010		1011		1012		1013		1014		1015		1016		1017		1018		1019		1020		1021		1022		1023		1024		1025		1026		1027		1028		1029		1030		1031		1032		1033		1034		1035		1036		1037		1038		1039		1040		1041		1042		1043		1044		1045		1046		1047		1048		1049		1050		1051		1052		1053		1054		1055		1056		1057		1058		1059		1060		1061		1062		1063		1064		1065		1066		1067		1068		1069		1070		1071		1072		1073		1074		1075		1076		1077		1078		1079		1080		1081		1082		1083		1084		1085		1086		1087		1088		1089		1090		1091		1092		1093		1094		1095		1096		1097		1098		1099		1100		1101		1102		1103		1104		1105		1106		1107		1108		1109		1110		1111		1112		1113		1114		1115		1116		1117		1118		1119		1120		1121		1122		1123		1124		112	
---	--	---	--	---	--	---	--	---	--	---	--	---	--	---	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	------	--	-----	--

reom (unspecified)

ncipal payment

nd-a (q)ecify)

costs

nd/or escrow (specify)

withdrawal

id out

5w)

n

h) (4 niinus 6)

erating data

ow infonnation)

me (dollm)

receivable

nonth)

end of month)

' on hand (end of nionth)

payable (end of month)

Cash on hand	
Cash on hand at beginning of month)	Cash on hand same as (7), Cash position, previous month
Cash receipts	
1) Cash sales	All cash sales. Omit credit sales unless cash is actually received.
2) Collections from credit accounts	Amount to be expected from all credit accounts.
3) Loan or other cash injection	Indicate here all cash injections not shown in 2(a) or 2(b) above.
Total cash receipts	
4a + 2b + 2c = 3)	
Cash available before cash out) (1 + 3)	
Cash paid out	
1) Purchases (merchandise)	Merchandise for resale or for use in product (paid for in current month)
2) Gross wages (excludes withdrawals)	Base pay plus overtime (if any)
3) Payroll expenses (taxes, etc.)	Include paid vacations, paid sick leave, health insurance, unemployment insurance, etc. (this might be 10 to 45% of 5(b))
4) Outside services	This could include outside labor and/or material for specialized or overflow work, including subcontracting
5) Supplies (office and operating)	Items purchased for use in the business (not for resale)
6) Repairs and maintenance	Include periodic large expenditures such as painting or decorating
7) Advertising	This amount should be adequate to maintain sales volume
8) Car, delivery and travel	If personal car is used, charge in this column, include parking
9) Accounting and legal	Outside services, including, for example, bookkeeping
10) Rent	Real estate only (See 5(p) for other rentals)
11) Telephone	
12) Utilities	Water, heat, light and/or power
13) Insurance	Coverages on business property and products (fire, liability); also worker's compensation, fidelity, etc. Exclude executive life (include in 5(w))
14) Taxes (real estate, etc.)	Plus inventory tax, sales tax, excise tax, if applicable
15) Interest	Remember to add interest on loan as it is injected (See 2(c) above)
16) Other expenses (specify each)	Unexpected expenditures may be included here as a safety factor Equipment expensed during the month should be included here (non-capital equipment) When equipment is rented or leased, record payments here Small expenditures for which separate accounts would not be practical
17) Miscellaneous (unspecified)	
18) Subtotal	This subtotal indicates cash out for operating costs
19) Loan forgiveness payment	Include payment on all loans, including vehicle and equipment purchases on time payment
20) Capital purchases (specify)	Nonexpensed (depreciable) expenditures such as equipment, building, vehicle purchases and leasehold improvements
21) Older start-up costs	Expenses incurred prior to first month projection and paid for after start-up
22) Reserve and/or escrow (specify)	Example: insurance, tax or equipment escrow to reduce impact of large periodic payments
23) Owner's withdrawal	Should include payment for such things as owner's income tax, social security, health insurance, executive life insurance premiums, etc.
Total cash paid out	
4a through 5w)	
Cash position	
End of month) (4 minus 6)	Enter this amount in (1) Cash on hand following month
Essential operating data	
Non-cash flow information)	
1. Sales volume (dollar)	This is basic information necessary for proper planning and for proper cash flow projection. In conjunction with this data, the cash flow can be evolved and shown in the above form.
2. Accounts receivable (end of month)	This is a very important figure and should be estimated carefully, taking into account number of facility and employee output as well as realistic anticipated sales (actual sales, not orders received).
3. Bad debt (end of month)	Previous unpaid credit sales plus current month's credit sales less amounts received current month (deduct "C" below)
4. Inventory on hand (end of month)	Bad debts should be subtracted from (B) in the month anticipated
5. Accounts payable (end of month)	Last month's inventory plus merchandise received and/or manufactured current month minus amount sold current month
6. Depreciation	Previous month's payable plus current month's payable minus amount paid during month
	Established by your accountant, or value of all your divided by useful life (in months) as allowed by Internal Revenue

APPENDIX C: BALANCE SHEET

19

COMPANY

NANIE

As of

Assets

Current assets

Cash
Petty cash
Accounts receivable
Inventory

Short-term investments

Prepaid expenses

Long-term investments

Fixed assets

Land
Buildings
Improvements
Equipment
Furniture

Automobiles/vehicles

Other assets

2.

3.

4.

Liabilities

Current liabilities

Accounts payable
Notes payable
Interest payable
Taxes payable
Federal income tax
State income tax
Self-employment tax
Sales tax (SBE)
Property tax

\$

Payroll w=w

Long-term liabilities

Notes payable

Total liabilities

Net worth (owner equity)

Proprietorship

or

Partnership

or

Partnership
Partnership equity

Partnership equity

or

Corporation
Capital stock
Surplus paid in
Retained earnings

Total net worth

(Total assets will always equal total liabilities and total net worth.)

~7

U.S. Small Business Administration

INSTRUCTIONS FOR BALANCE SHEET

Figures used to compile the balance sheet are taken from the previous and current balance sheet as well as the current income statement. The income statement is usually attached to the balance sheet. The following text covers the essential elements of the balance sheet. At the top of the page fill in the legal name of the business, the type of statement and the day, month and year.

Assets

List anything of value that is owned or legally due the business. Total assets include all net values. These are the amounts derived when you subtract depreciation and amortization from the original costs of acquiring the assets.

Current Assets

Cash-List cash and resources that can be converted into cash within 12 months of the date of the balance sheet (or during one established cycle of operations). Include money on hand and demand deposits in the bank, e.g., checking accounts and regular savings accounts.

- Petty cash-If your business has a fund for small miscellaneous expenditures, include the total here.

Liabilities

- Accounts receivable-The amounts due from customers in payment for merchandise or services.

Current Liabilities

- Inventory-Includes raw materials on hand, work in progress and all finished goods, either within 12 months or within one cycle of operations.
- manufactured or purchased for resale. Typically they include the following:
Short-term investments-Also called temporary

investments or marketable securities, these include interest- or dividend-yielding holdings

expected to be converted into cash within a year.
List stocks and bonds, certificates of deposit and time-deposit savings accounts at either their cost

Also

or market value, whichever is less.

Prepaid expenses-Goods, benefits or services a business buys or rents in advance. Examples are office supplies, insurance protection and floor space.

Long-term Investments

Also called long-term assets, these are holdings the business intends to keep for at least a year and dia typically yield interest or dividends. Included are stocks, bonds and savings accounts earmarked for special purposes.

Fixed Assets

Also called plant and equipment. Includes all resources a business owns or acquires for use in operations and not intended for resale. Fixed assets, except for land, are listed at cost less depreciation. Fixed assets may be leased. Depending on the leasing arrangement, both the value and the liability of the leased property may need to

be listed on the balance sheet

- Land-List original purchase price without allowances for market value.

* Buildings

- Improvements

- Equipment

- Furniture

- Automobiles/vehicles

- Accounts payable-Amounts owed to suppliers

for goods and services purchased in connection with business operations.

- Notes payable-The balance of principal due to pay off short-term debt for borrowed funds.

include the current amount due of total balance on notes whose terms exceed 12 months.

- Interest payable-Any accrued fees due for use of both short- and long-term borrowed capital and credit extended to the business.

- Taxes payable-Amounts estimated by an accountant to have been incurred during the accounting period.
- Payroll accrual-Saves and wages currently owed.

Long-term Liabilities

Notes payable-List notes, contract payments or mortgage payments due over a period exceeding 12 months or one cycle of operations. They are listed by outstanding balance less the current portion due.

Net Worth

Also called owner's equity, net worth is the claim of the owner(s) on the assets of the business. In a proprietorship or partnership, equity is each owner's original investment plus any earnings after withdrawals.

Total Liabilities and Net Worth

The sum of these two amounts must always match that for total assets.

The following pages provide a suggested outline of the material that should be included in your business plan. Your final plan may vary according to your needs or because of the individual requirements of your lender.

What Are the Benefits?

Every business can benefit from the preparation of a carefully written plan. There are two main purposes for writing that plan:

- 1 - To serve as a guide during the lifetime of the business. It is the blueprint of your business and will provide you with the tools for analysis and change.
2. A business plan is a requirement if you are planning to seek a loan. It will provide potential lenders with detailed information on all aspects of your company's past and current operations and provide future projections.

Business Plan Outline

1. Cover sheet
Serves as the title page of your business plan. It should contain the following:
 - Name of the company
 - Company address
 - Company phone number (include area code)
 - Logo (if you have one)
 - Names, titles, addresses, phone numbers (include area code) of owners
 - Month and year your plan was issued
 - Name of preparer

Statement of purpose (Same as executive summary.)
This is the thesis statement and includes business plan objectives. Use the key words (who, what, where, when, why, how, and how much) to briefly tell about the following:

- What your company is (also who, what, where and when).
-
-
-

U.S. Small Business Administration
23

- What your objectives are.
- If you need a loan, why you need it.
- How much you need.
- Why you will be successful.
- How and when you plan to repay your loan.

- III. Table of contents
A page listing the major topics and references.
- IV. **The business**
Covers the details of your business. Include information about your industry in general, and your business in particular. Address the following:

Legal structure-Tell what legal structure you have chosen and state reasons for your choice. Description of the business-Detail your business. Tell about your history, present status and future projections. Outline your product or service in terms of marketability. Project a sense of what you expect to accomplish in the next few years. Products or services-Give a detailed description of your products from raw materials to finished items. Tell about your manufacturing process. If you provide a service, tell what it is, how it is provided and why it is unique. List future products or services you plan to provide. Location-Describe site and why it was chosen. (If location is important to your marketing plan, focus on this in the marketing section below.) Management-Describe who is behind the business. For each owner, tell about responsibilities and abilities. Support with resumes. Personnel-Who will be doing the work, why are they qualified, what is their wage, what are their responsibilities? Methods of record keeping---What accounting system will you use? Who will do your record keeping? Do you have a plan to help you use your records in analyzing your business? Insurance-What kinds of insurance will you need? What will these cost and who will you use for a carrier? Security-Addendum security in terms of inventory control and theft of information.

- V. Marketing
Covers the details of your marketing plan. Include information about the overall market with emphasis on your target market. Identify

your customers and tell about the means to make your product or service available to them.

- **Target market**-Identify characteristics of your customers. Tell how you arrived at your results. Back up information with demographics, questionnaires and surveys. Project size of your market.
- **Competition**-Evaluate indirect and direct competition. Show how you can compete. Evaluate competition in terms of location, market and business history.
- **Methods of distribution**-Tell about the manner in which products and services will be made available to the customer. Back up decisions with statistical reports, rate sheets, etc.
- **Advertising**-How will your advertising be tailored to your target market? Include rate sheets, promotional material and tune fines for your advertising campaign.
- **Pricing**-Pricing will be determined as a result of market research and costing your product or service. Tell how you arrived at your pricing structure and back it up with materials from your research.
- **Product design**-Answer key questions regarding-product design and packaging. Include graphics and proprietary rights information.
- **Timing of market entry**-Tell when you plan to enter the market and how you arrived at your decision.
- **Location**-If your choice of location is related to target market, cover it in this section of your business plan. (See location in the business section of this outline.)
- **Industry trends**--Give current trends, project how the market may change and what you plan to do to keep up.

VI. Financial documents

These are the records used to show past, current and projected finances. The following

are the major documents you will want to include in your business plan. The work is easier if these are done in the order presented.

- **Summary of financial need**-This is an outline indicating why you are applying for a loan and how much you need.

Cashflow statement (budget)-This document projects what your business plan means in terms of dollars. It shows cash inflow and outflow over a period of time and is used for internal planning. Cash flow statements show both how much and when cash must flow in and out of your business.

- **Three-year income projection**-A pro forma income statement showing your projections for your company for the next

three years. Use the pro forma cash flow statement for the first year's figures and

project the next according to economic and industry trends.

- **Break-even analysis**-The break-even point is when a company's expenses exactly match the sales or service volume. It can be expressed in total dollars or revenue exactly offset by total expenses or total units of production (cost of which exactly equals the income

derived by their sales). This analysis can

be done either mathematically or

graphically.

NOTE: The following are actual performance statements reflecting the activity of your business in the past. If you are a new business owner, your financial section will end here and you will add a personal financial history. If you are an established business, you will include the actual performance statements that follow.

Balance sheet-Shows the condition of

the business as of a fixed date. It is a

picture of your firm's financial condition at a particular moment and will show you whether your financial position is strong or weak. It is usually done at the close of an accounting period, and contains assets, liabilities and net worth.

Income (profit and loss) statement

Shows your business financial activity

over a period of time (monthly, annually).

It is a moving picture showing what has happened in your business and is an excellent tool for assessing your business.

Your ledger is closed and balanced and the revenue and expense totals transferred to this statement.

- Sources and uses of funds statement-It will be necessary for you to tell how you intend to disperse the loan funds. Back up your statement with supporting data.

Business financial history)~y-This is a summary of financial information about your company from its start to the present. The business financial history and loan application are usually the same. If you have completed the rest of the financial section, you should be able to transfer all the needed information to this document.

- Contracts-Include all business contracts, both completed and currently in force.
- Legal documents-All legal papers pertaining to your legal structure, proprietary rights, insurance, titles, etc.
- * Miscellaneous documents-AU other documents that have been referred to, but are not included in the main body of the plan (e.g., location plans, demographics, advertising plan, etc.).

VIII. Supporting documents

These are the records that back up the statements and decisions made in the three main parts of your business plan. Those most commonly included are as follows:

- Personal resumes-Should be limited to one page and include work history, educational background, professional affiliations and honors and special skills.
- Personal financial statement-A statement of personal assets and liabilities. For a new business owner, this will be part of your financial section.
- Credit reports-Business and personal from suppliers or wholesalers, credit bureaus and banks.
- Copies of leases-AR agreements currently in force between your company and a leasing agency.
- Letters of reference-Letters recommending you as being a reputable and reliable businessperson worthy of being considered a good risk. (Include both business and personal references.)

Putting Your Plan Together

When you are finished: Your business plan should look professional, but the lender needs to know that it was **done by** you. A business plan will be the best indicator he or she has to judge your potential for success. It should be no more than 30 to 40 pages long. Include only the supporting documents that will be of immediate interest to your potential lender. Keep the others in your own copy where they will be available on short notice. Have copies of your plan bound at your local print shop, or with a blue, black or brown cover purchased from the stationery store. Make copies for yourself and each lender you wish to approach. Do not give out too many copies at once, and keep track of each copy. If your loan is refused, be sure to retrieve your business plan. For a more detailed explanation of each section of the business plan outline, see SBA's publication, *How to Write a Business Plan*, which includes step-by-step directions and sample sections of actual business plans. Also available from the SBA is a VHS videotape and workbook, "The Business Plan: Your Roadmap for Success."



U.S. Small Business Administration (SBA)

The SBA offers an extensive selection of information on most business management topics, from how to start a business to exporting your products.

This information is listed in *The Small Business Directory*. For a free copy write to: SBA Publications, P.O. Box 1000, Fort Worth, TX 76119.

SBA has offices throughout the country. Consult the U.S. Government section in your telephone directory for the office nearest you. SBA offers a number of programs and services, including training and educational programs, counseling services, financial programs and contract assistance. Ask about

- Service Corps of Retired Executives (SCORE), a national organization sponsored by SBA of over 13,000 volunteer business executives who provide free counseling, workshops and seminars to prospective and existing small business people.
- Small Business Development Centers (SBDCs), sponsored by the SBA in partnership with state and local governments, the educational community and the private sector. They provide assistance, counseling and training to prospective and existing business people.
- **Small Business Institutes (SBIs)**, organized through SBA on more than 500 college campuses nationwide. The institutes provide counseling by students and faculty to small business clients.

For more information about SBA business development programs and services call the SBA Small Business Answer Desk at 1-800-U-ASK-SBA (827-5722).

Other U.S. Government Resources

Many publications on business management and other related topics are available from the Government Printing Office (GPO). GPO bookstores are located in 24 major cities and are listed in the Yellow Pages under the "bookstore" heading. You can request a *Subject Bibliography* by writing to Government Printing Office, Superintendent of Documents, Washington, DC 20402-9328.

Many federal agencies offer publications of interest to small businesses. There is a nominal fee for some, but most are free. Below is a selected list of government

agencies that provide publications and other services targeted to small businesses. To get their publications, contact the regional offices listed in the telephone directory or write to the addresses below:

Consumer Information Center (CIC)
P.O. Box 100
Pueblo, CO 81002

The CIC offers a consumer information catalog of federal publications.

Consumer Product Safety Commission (CPSC)
Publications Request
Washington, DC 20207

The CPSC offers guidelines for product safety requirements.

U.S. Department of Agriculture (USDA)
12th Street and Independence Avenue, SW
Washington, DC 20250

The USDA offers publications on selling to the USDA. Publications and programs on entrepreneurship are also available through county extension offices nationwide.

U.S. Department of Commerce (DOC)
Office of Business Liaison
14th Street and Constitution Avenue, NW
Room 5898C
Washington, DC 20230

DOC's Business Assistance Center provides listings of business opportunities available in the federal government. This service also will refer businesses to different programs and services in the DOC and other federal

agencies.

U.S. Department of Health and Human Services (HHS)
Public Health Service
Alcohol, Drug Abuse and Mental Health

Administration
5600 Fishers Lane
Rockville, MD 20857

Drug Free Workplace Helpline: 1-800-8434971. Provides information on Employee Assistance Programs.

National Institute for Drug Abuse Hotline:
1-800-6624357. Provides information on preventing substance abuse in the workplace.

The National Clearinghouse for Alcohol and Drug Information: 1-800-729-6686 toll-free. Provides pamphlets and resource materials on substance abuse.

U.S. Department of Labor (DOL)

Employment Standards Administration
200 Constitution Avenue, NW
Washington, DC 20210
The DOL offers publications on compliance with labor laws.

U.S. Department of Treasury
Internal Revenue Service (IRS)
P.O. Box 25866
Richmond, VA 23260
1-800-424-3676
The IRS offers information on tax requirements for small businesses.

U.S. Environmental Protection Agency (EPA)
Small Business Ombudsman
401 M Street, SW (A - 149C)
Washington, DC 20460
1-800-368-5888 except DC and VA
703-557-1938 in DC and VA

The EPA offers more than 100 publications designed to help small businesses understand how they can comply with EPA regulations.

U.S. Food and Drug Administration (FDA)
FDA Center for Food Safety and Applied Nutrition
200 Charles Street, SW

Washington, DC 20402
The FDA offers information on packaging and labeling requirements for food and food-related products.

For More Information

A librarian can help you locate the specific information you need in reference books. Most libraries have a variety of directories, indexes and encyclopedias that cover many business topics. They also have other resources, such as

Trade association information

Ask the librarian to show you a directory of business associations. Associations provide a valuable network of resources to their members through publications and services such as newsletters, conferences and seminars.

• Books

Many guidebooks, textbooks and manuals on small business are published annually. To find the names of books not in your local library check *Books In Print*, a directory of books currently available from publishers.

• Magazine and newspaper articles

Business and professional magazines provide

information that is more current than that found in books and textbooks. There are a number of indexes to help you find specific articles in periodicals.

In addition to books and magazines, many libraries offer free workshops, lending building tapes and have catalogues and brochures describing continuing education opportunities.

